



# INCISIVE INVESTOR

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## WEEK IN REVIEW

# DISNEY HELPS PROPEL DOW INTO TRIPLE DIGITS

### Review of the week ended April 12, 2019

- **EU allows UK six-month Brexit reprieve**
- **US: China trade enforcement mechanism agreed upon**
- **IMF cuts global growth viewpoint**
- **Jobless claims experience steepest fall in nearly 50 years**



U.S. stocks closed higher Friday after a series of strong bank earnings, led by JPMorgan, boosted confidence in the U.S. economy while the Dow Jones Industrial Average rose nearly 270 points.

The rise by the blue-chip gauge was paced by gains for shares of JPMorgan and Walt Disney Company, which rallied after the entertainment giant unveiled plans for its new streaming service."

The Dow Jones Industrial Average DJIA gained 269.25 points, or 1%, to end at 26,412.30, while the S&P 500 index SPX rose 19.09 points, or 0.7%, to finish at 2,907.41. The Nasdaq Composite Index COMP

advanced 36.80 points, or 0.5%, to close at 7,984.16.

For the week, while the S&P 500 gained 0.5% and the Nasdaq added 0.6% while the Dow edged down 0.1%.



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## **Brexit delayed again**

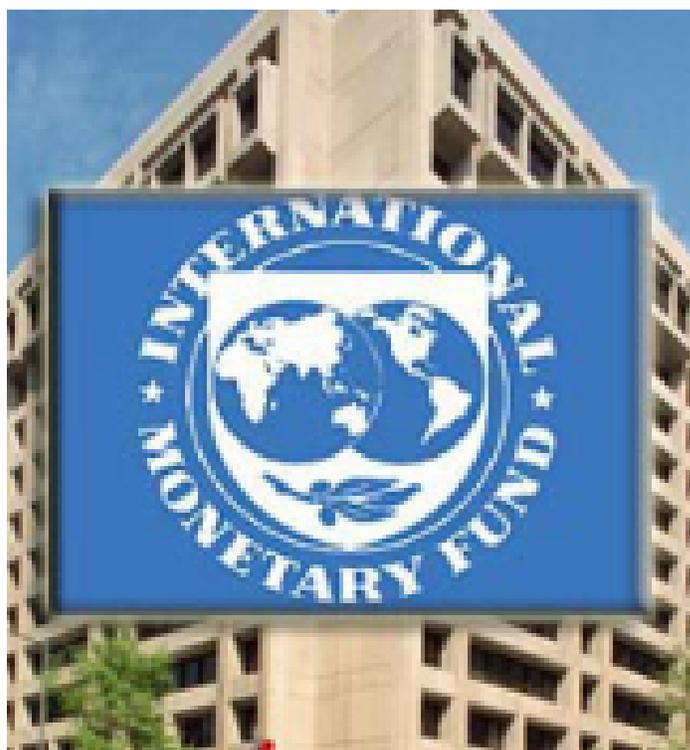
With an April 12th deadline imminent, the European Council granted the United Kingdom a second, longer, extension of Article 50. That extension means Britain now has until October 31st to advance through Parliament the agreement negotiated with the European Union to withdraw from it. While Prime Minister Theresa May is aiming to complete that process in coming weeks, there is a very real possibility that the UK will be obligated to hold European Parliamentary elections in late May. The prime minister has been involved in talks with the opposition Labor Party on the possibility of keeping the UK in a customs union with the EU, which would result in a softer form of Brexit than had been imagined earlier in the process, but she faces internal resistance from members of her own Conservative Party on that front.

## **Mnuchin says agreement reached with China on enforcement mechanism**

US Treasury secretary Steven Mnuchin said this week that the United States and China have agreed on the enforcement mechanism of the trade agreement the two sides have been discussing for months. Some details remain to be worked out, however, including the nature of the existing tariffs regime. China would like tariffs ended immediately, but the US prefers to phase them out over time, so

long as China remains in submission with the agreement. Mnuchin offered no time table for a compressive deal but said he hoped it would be completed quickly.

## **IMF sees slower worldwide growth**



The International Monetary Fund has lowered its outlook for global economic growth, trimming its forecast to 3.3%, down from a 3.5% view in January. Slowing growth in China, spillovers from the US- China trade conflict and tighter financial conditions contributed to the weakened global growth, according to the latest World Economic Outlook from the IMF. Growth is expected to rebound in the second half of 2019 after a weak start, it reports.

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## US jobless claims drop below 200,000



Claims for state unemployment benefits fell to their lowest level since October 1969, a time when the US labor market was much smaller than today. Last week's US employment report shows that while the pace of job gains has slowed lately, it remains good enough to captivate new applicants into the labor force, a healthy backdrop.

## Fed minutes endorse patient approach

Minutes of the March meeting of the US Federal Reserve's Federal Open Market



Committee confirmed that a majority of officials expect that the progress of, and risks to, the economic outlook will likely warrant leaving the target range for the federal funds rate unchanged for the rest of the year. Participants found it important that inflation has not shown signs of firming in response to strong labor market conditions or temporary upward price pressure stemming from tariff increases.

## Credit growth swells in China

Total bank lending in China rose a record 13.7% in the first quarter of 2019 as the government's stimulus efforts begin to gain traction. Also welcome was a sharp rebound in



export growth in March, though seasonal distortions caused by the Lunar New Year holiday continue to muddy the data. The general view is that the world's second-largest economy is showing signs of steadying after a sharp slowdown in 2018.



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## EARNINGS NEWS

Q1 earnings season kicked off in earnest at the end of this week, with analysts now forecasting a 4.5% year-over-year drop in S&P 500 Index earnings per share. That would be the first year-over-year decline in EPS in three

years, says one noted global investment strategist, also remarking that the tailwind from tax reforms undertaken at the end of 2017 has dissipated, margins are coming under pressure and the strength of the dollar remains a headwind.



### MAJOR STOCK MOVES

Shares of Walt Disney Co. DIS rallied 12%, helping to fuel the Dow's rise, after the entertainment giant said it would launch its Disney+ video-streaming business on Nov. 12 for \$6.99 a month or \$69 a year.

Shares of video-streaming giant Netflix Inc. NFLX fell 4.5% in the wake of Disney's announcement.

Shares of JPMorgan Chase JPM rose 4.7% for their best earnings day since the release of second quarter 2012 results.

Shares of Wells Fargo WFC fell 2.6% even

after the bank beat revenue estimates for the first quarter.

Read: Financial stocks getting a big boost after JPMorgan Chase, Wells Fargo earnings beats

PNC Financial Services Group Inc. PNC shares rose 3.1% after the regional bank reported first-quarter results that met expectations.

Oil giant Chevron Corp. CVX said it planned to acquire Anadarko Petroleum Corp. APC in a cash-and-stock tie-up valued at \$33 billion or \$65 a share. Shares of Dow-component Chevron declined 4.9%, while Anadarko shares surged 32% on the takeover bid.

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## THE WEEK AHEAD

Date	Country/Area	Release/Event
Mon, Apr 15	United Kingdom	Unemployment rate
Mon, Apr 15	United States	Industrial production
Wed, Apr 15	China	Q1 GDP, retail sales, industrial production
Wed, Apr 17	United States	Trade balance, Fed's Beige book
Wed, Apr 17	Canada	Consumer price index
Thu, Apr 8	Global	Flash purchasing managers' indices
Thu, Apr 18	United Kingdom	Retail sales
Thu, Apr 18	US, Canada	Retail sales



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